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## India

### Agricultural Situation

### Weekly Highlights & Hot Bites, #20

2004

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**Report Highlights:**

\*New Agriculture Minister to protect farmers' interest\*, \*Agricultural highlights of the new government's Common Minimum Program\*, \*New Commerce Minister also in farmer mode\*, \*Food Ministry rejects move for subsidized grain exports\*, \*Cess on central taxes proposed\*, \*McDonalds India sees turnaround\*.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
New Delhi [IN1]  
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

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### **NEW AGRICULTURE MINISTER TO PROTECT FARMERS' INTEREST**

The new Agriculture Minister, Mr. Sharad Pawar, is in favor of utilizing all protective measures available under the WTO agreement to protect the interests of domestic farmers and make them globally competitive. He also advocated putting in place "a strong and independent anti-dumping authority for ensuring a level playing field for domestic industries and trade and protection of Indian crops and herbs from bio-piracy." He expressed deep concern over "the wrong policies pursued by the erstwhile NDA (previous) government in [the] agriculture sector which has ruined the entire farming community, driving many of their families to commit suicide." He also advocated protection of farmers against cheap imports and strengthening of the Public Distribution System of food in backward areas. (Source: Financial Express, 05/24/04)

### **AGRICULTURAL HIGHLIGHTS OF THE NEW GOVERNMENT'S COMMON MINIMUM PROGRAM**

The newly formed United Progressive Alliance (UPA) government, which is a coalition of fifteen political parties with outside support from leftist parties, came out with its Common Minimum Program on May 27. Some of the policies pertaining to agriculture are:

- Ensure adequate protection to all farmers from imports, particularly when international prices fall sharply
- Work out a comprehensive medium-term strategy for food and nutrition security
- Strengthen the Public Food Distribution System, particularly in the poorest and backward areas of India [less grain to subsidize for export]
- Encourage foreign direct investment, particularly in areas of infrastructure, high technology, and exports [FDI in retail excluded]
- Protect national interest, particularly of farmers, in all WTO negotiations; use the flexibility afforded in existing WTO agreement to fully protect Indian agriculture and industry; play a proactive role in strengthening the emerging solidarity of developing countries in the shape of G-20 in the WTO

(Source: <http://pmindia.nic.in/cmp.pdf>)

### **NEW COMMERCE MINISTER ALSO IN FARMER MODE**

On India's role in the ongoing World Trade Organization (WTO) talks, the new Minister for Commerce and Industry, Mr. Kamal Nath, stated that farmers' interest would rule supreme. He further stated that India's approach would be country-specific as its internal situation was not comparable to any other country, including the G-20 members. He clarified that the efforts of some developed countries to break the G-20 alliance of developing countries in

agriculture would not succeed, and India would keep forming various alliances. (Source: Financial Express, 05/25/04)

#### FOOD MINISTRY REJECTS MOVE FOR SUBSIDIZED GRAIN EXPORTS

The Food Ministry has rejected the proposal by the Ministry of Commerce to allocate rs. 6 billion (\$133 million) towards a WTO compatible subsidy for grain exports (about 6 million tons), at the rate of rs. 1,000 per metric ton, due to food security considerations. Government wheat procurement this year has totaled only 16 million tons, significantly below the earlier expectation of 20 million tons. (Source: Economic Times, 05/26/04)

*Post Comment:* See FAS/New Delhi's grain update (IN4037).

#### CESS ON CENTRAL TAXES PROPOSED

A cess (similar to a surcharge on tax) on all central government taxes, including custom duties, to finance universal access to primary education will likely be proposed in the next budget. The Common Minimum Program of the new government has mentioned this cess, although it has not specified the level of the proposed cess. (Source: Business Line, 05/28/04)

*Post Comment:* A cess on custom tariffs would make imports even costlier.

#### MCDONALDS INDIA SEES TURNAROUND

With an ever increasing number of Indian consumers savoring the cheesy delight, McDonalds India sees a possible turnaround within the next two years. McDonalds forayed into India in October 1996 and currently has 53 restaurants and two food courts in northern and western regions of the country. The company plans to expand into the southern region and increase its penetration in north and west India with more outlets. McDonalds offers a range of 11 products developed specifically for Indian customers. (Source: Pioneer, 5/26/04)

#### RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN4049	Weekly Highlights & Hot Bites, #19	05/21/04
IN4051	Oilseeds & Products – Trade Data: Soybean Oil and Soybean Meal	05/27/04

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